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**From:** Kathy M Lynn/Corp/Enron  
**Sent:** Wednesday, March 07, 2001 6:52 PM  
**To:** Kent Castleman/ENRON  
**Cc:** Anne Yaeger/HOU/ECT; Charles Delacey/HOU/ECT; Allen W Ueckert/ENRON; Chris Loehr/HOU/ECT  
**Subject:** RE: LJM buyback calculation

I have confirmed with Andy that an agreement was reached between LJM and Enron for LJM to accept a 13% return through the end of 2001. The extension fee will not be netted. We will give you a call to talk about the rest of the calculation. Thanks for your input.

From: Kent Castleman/ENRON@enronXgate on 03/07/2001 02:19 PM  
To: Kathy M Lynn/Corp/Enron@Enron  
cc: Anne Yaeger/HOU/ECT@ECT, Charles Delacey/HOU/ECT@ECT, Allen W Ueckert/ENRON@enronXgate, Chris Loehr/HOU/ECT@ECT

Subject: RE: LJM buyback calculation

I would prefer to talk about this on the phone but for the benefit of the rest of the group - -

all dividends were paid in kind with shares, therefore by paying LJM the liquidation value of the shares (\$50/share per definition of Liquidation Preference in the Enron do Brazil Holdings Amended Articles of Assoc) then LJM would receive the principle paid for the original shares (10,000 shares for \$500,000) plus the accrued dividends paid in kind (the additional 2,202 shares currently outstanding). The way I did the calculations were to calculate the amount that LJM was intended to get out of the deal (principle + 13% annually) and then subtract what LJM will get paid in the pref share liquidation (+ accrued dividends for 2001) to arrive at the purchase price for the EPE interest held by LJM. This way the total cash to be paid to LJM gives them the right amount of \$s as agreed.

Regarding the \$240,000 fee, this is correct if LJM held the interest past 8/10/00 but the idea was that at that time LJM would have a targetted return of 25%. If there was another extension beyond the 8/10/00 date for the 13% return, I'm not sure this was contemplated or addressed.

Whenever ya'll are ready to discuss the calculation let me know  
Kent

-----Original Message-----

From: Lynn, Kathy  
Sent: Wednesday, March 07, 2001 1:45 PM  
To: Castleman, Kent  
Cc: Yaeger, Anne; Delacey, Charles; Ueckert, Allen W.; Loehr, Chris  
Subject: RE: LJM buyback calculation

I think I know the agreement that you are talking about with LJM, however, I never saw anything in writing and I never heard that a 1 year extension on Cuiaba was part of that deal. I will ask Andy about it. As for the rest of the calculation, why does the \$50 per share on the pref shares go back to Enron? I understand that we are supposed to subtract any dividends that we received on the pref shares, but weren't these dividends paid in additional shares, not cash, so how do we value those shares? Also, the \$240,000 extension fee that was paid to LJM in May 2000, is supposed to be subtracted from the return

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calculation (you get a credit) if LJM held the shares beyond August 9, 2000. Chris Loehr is out of the office today and is our associate that has been doing this calculation. We may need to get together when he gets back and walk through the calculation with you. Thanks.

From: Kent Castleman/ENRON@enronXgate on 03/07/2001 12:47 PM  
To: Kathy M Lynn/Corp/Enron@Enron  
cc: Anne Yaeger/HOU/ECT@ECT, Charles Delacey/HOU/ECT@ECT, Allen W Ueckert/ENRON@enronXgate, Chris Loehr/HOU/ECT@ECT

Subject: RE: LJM buyback calculation

This is correct however, ESA wanted to negotiate a further extension with LJM back in July/Aug 2000 but due to Project Summer there were several other issues between LJM and Enron that needed to be addressed and therefore Ben Glisan was suppose to discuss this with LJM (with all the other items). I followed up with Ben several times and he told me that he had reached a global agreement between Enron and LJM on several issues which included a 1 year extension on the Aug 9, 2000 deadline. I have asked Ben several times whether this was documented (he said yes) and I asked for a copy of the agreement for my files but Ben said that because of the sensitivities of other items in the agreement he did not want to give it to me (I did ask for a copy of the relevant section but never rec'd anything).

So I guess the question is was there really an extension from the 8/20/00 deadline or not. I have a call into Ben to ask again - you may also want to ask Andy whether any such an extension was discussed/agreed/documented.

Other than the targetted return amount do you agree with the calculations (and also verifying the # of pref shares outstanding)?

Kent

-----Original Message-----

From: Lynn, Kathy  
Sent: Wednesday, March 07, 2001 12:00 PM  
To: Castleman, Kent  
Cc: Yaeger, Anne; Delacey, Charles; Ueckert, Allen W.; Loehr, Chris  
Subject: Re: LJM buyback calculation

The return calculation should be based on 25%, not 13%. It was only 13% if LJM's interest was bought by August 9, 2000. After that date, the return is 25% calculated from the closing date until the buyout date.

From: Kent Castleman/ENRON@enronXgate on 03/07/2001 11:35 AM  
To: Charles Delacey/HOU/ECT@ECT, Kathy M Lynn/Corp/Enron@Enron  
cc: Allen W Ueckert/ENRON@enronXgate

Subject: LJM buyback calculation

attached is my calculation of the amount per the agreements that Enron would purchase LJM's interest in EPE, including the amount that will be paid LJM through the pref share liquidation. If you have any questions, please call.

Kent

<< File: LJM Buyback.xls >>